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New Data on Post-9/11 G.I. Bill Benefits Show Disproportionate Share of Taxpayer Dollars Going to For-Profit Colleges with Concerning Outcomes

Federal taxpayers are making a huge investment in educating our Iraq and Afghanistan veterans through the Post-9/11 G.I. Bill. In the 2010-2011 academic year, the Department of Veterans Affairs disbursed \$4.4 billion in benefits to 5,985 institutions.¹ In order to ensure that veterans are receiving the opportunity for success that they have earned it is important to understand where these taxpayer investments are going and the track records of the schools that are profiting most from this largesse. New data obtained from the U.S. Department of Veterans Affairs and analyzed by the majority staff of the U.S. Senate Committee on Health, Education, Labor, and Pensions reveal a stunning increase in the amount of Post-9/11 G.I. Bill benefits going to for-profit colleges – an amount out of proportion to the number of students at those schools. Following are some key findings from the data analysis.

A Disproportionate Share of Valuable G.I. Bill Dollars is Being Paid to Expensive For-Profit Schools with Dubious Outcomes

Overall, eight of the ten biggest recipients of Post-9/11 G.I. Bill funds are for-profit companies. **[Chart 1]**. The Apollo Group, Inc. (which runs the University of Phoenix) had the largest share, taking in \$210 million in federal G.I. Bill funds last year. Education Management Corporation, principally owned by Goldman Sachs² and currently facing a civil fraud lawsuit joined by the U.S. Department of Justice,³ took in \$173 million in Post-9/11 G.I. Bill funds last year alone. Together, the for-profit schools in the Top-10 collected \$1 billion Post-9/11 funds, almost one-quarter of the total disbursed. A full 20 percent of all the Post-9/11 G.I. Bill benefits went to just five for-profit companies. Indeed, only two public state university systems were among the Top-10. The entire University of Maryland system (which includes the primarily online military-oriented school, UMUC), was the 8th highest recipient, receiving \$51 million, and the entire University of Texas system, receiving \$45 million was the 9th highest. The huge University of California system and California State systems ranked 18th and 19th by comparison.

For-profit college operators posted a precipitous increase in the amount of Post-9/11 dollars they took in between the 2009-2010 school year and the newly available 2010-2011 period. **[Chart 1]**. For example, the Apollo Group increased its receipt of Post-9/11 G.I. Bill benefits from \$77 million to \$210 million in one year (in addition to the \$1.1 billion in Pell Grants and \$2.7 billion in Stafford loans the company received).⁴ This

¹ HELP Committee analysis of U.S. Department of Veterans Affairs data.

² [Education Management Corporation, S.E.C. Form 10\(k\), filed 8/30/2011](#)

³ [New York Times, "U.S. to Join Suit Against For-Profit Chain," 5/2/2011](#)

⁴ [HELP Committee analysis of U.S. Department of Education Title IV Program Volume Reports by School](#)

increase in Post-9/11 G.I. Bill dollars flowing to for-profit schools may be due to those schools' increased marketing and recruiting of veterans, servicemembers, and military spouses. As evidenced in documents obtained through the HELP Committee's investigation, for-profit schools are explicitly targeting veterans, servicemembers, and their spouses because of a loophole in federal regulations that allows schools to count Post-9/11 G.I. Bill funds on the 10 percent side of the Department of Education's 90/10 rule requiring that schools receive no more than 90 percent of their funding from federal student aid. The 90/10 rule is a market-based test that echoes a long-standing G.I. Bill requirement ensuring schools that receive veterans benefits have at least 15 percent of students who are not veterans. That requirement was put in place in response to fly-by-night schools that popped up to collect Montgomery G.I. Bill benefits from World War II veterans. The increase in G.I. Bill funds available to for-profit schools combined with the some schools' concern that they may violate the 90/10 rule has led some schools to aggressively recruit veterans to protect the companies' access to federal student aid. As Holly Petraeus, Director of the Office of Servicemember Affairs at the Consumer Financial Protection Bureau, testified at a HELP Committee roundtable on July 21st of this year, "unfortunately, I think military folks at this point are seen as a dollar sign wearing a uniform for many recruiters in the for profit model. They're seen as cash that enables them to sell more of their product."⁵

This aggressive recruiting is resulting in a disproportionate intake of G.I. Bill funds by for-profit schools. Overall more than 37 percent of all Post-9/11 G.I. Bill benefits were disbursed to for-profit education companies, compared to just 22 percent of Department of Education Federal Student Aid funds⁶.

Some For-Profit Schools Are a Risky Investment for Veterans and Taxpayers

Helping veterans to obtain a college education is the important goal of the Post-9/11 G.I. Bill. However, the for-profit colleges receiving the most G.I. Bill dollars have a track record of poor student outcomes. Analysis of data provided by the schools shows 409,437 students, almost 60 percent, withdrew from the eight for-profit college companies receiving the most G.I. Bill funds within one year of enrolling.⁷ **[Chart 2].** Six of these eight schools saw more than half of their Bachelor's degree students withdraw within one year of enrolling. And five of the eight saw more than 60 percent of their Associate degree students withdraw within a year. Almost 65 percent of Associate degree students at the University of Phoenix withdrew within a year, as did more than half of their Bachelor's degree students. The third biggest share of federal G.I. Bill dollars went to Education Management Corporation (EDMC), which saw 62 percent of their Bachelor's degree students drop out within a year and 64 percent of their Associates. By comparison, the two public schools among the top 10 recipients of G.I. Bill funds lost 14 and 26 percent of their first-time, full-time Bachelor students.⁸

The High Cost of For-Profit Colleges May Not Provide Good Value for Scarce Taxpayer Dollars.

The cost to federal taxpayers of sending veterans to for-profit schools is not proportional to the number of veterans served. This is especially troubling at a time of budget-cutting and limited federal funds. Overall, for-profit schools collected more than one-third of all G.I. Bill funds, but trained only one-quarter of veterans. **[Chart 4].** In contrast, public colleges and universities received 40 percent of benefits but trained 59 percent of veterans. This difference is because the tuition at for-profit schools often dramatically outpaces the tuition

⁵ [HELP Committee Hearing, "Improving For-Profit Higher Education: A Roundtable Discussion of Policy Solutions," 7/21/2011, at minute 54.](#)

⁶ [HELP Committee analysis of U.S. Department of Education Title IV Program Volume Reports by School](#)

⁷ [HELP Committee Chairman's Report, "The Return on the Federal Investment in For-Profit Education: Debt Without a Diploma," 9/30/2010](#)

⁸ The retention rate for the public schools is based on first-time full time students as reported to the Department of Education, while retention rate for for-profit school is based on all students as provided by the schools to the HELP Committee.

at public universities and community colleges. On average, it costs federal taxpayers more than twice as much to send a veteran to a for-profit school as it does to send that veteran to a public university (\$4,900 per trainee at a public college, on average, compared to \$10,900 at a for profit college, on average). **[Chart 3]**. In fact, the average cost of sending a veteran to a for-profit college slightly exceeds the cost of sending a veteran to a private, non-profit college (including elite institutions like Harvard and Yale). For-profit schools often charge five times as much as local community colleges and public universities charge, and sometimes even more. For example, an Associate degree from a community college in Des Moines Iowa costs \$10,300, whereas the same degree at ITT near Des Moines costs \$47,900.⁹

Spending More on Marketing and Profit than on Education

Some of the for-profit education companies receiving the most G.I. Bill funds spend more on marketing and profit than they spend on education. **[Chart 5]**. This is a major difference between private non-profit colleges or public colleges and for-profit companies. While over 85 percent of revenues come from taxpayer money in exchange for providing student education, the for-profit companies set aside large shares of these payments as profit. For example, ITT, the second largest beneficiary of federal G.I. Bill dollars, dedicates 37 percent of its revenues to profit and spends an additional 19 percent on marketing, leaving just 44 percent to cover all other expenses, from executive compensation (the average at five publicly-traded for-profit institutions was \$10.5 million compared to \$1.3 million at five Ivy League universities and \$860,000 at five public universities¹⁰), lobbying, student services, administration, facilities, faculty salaries, bad debt expense, and other education costs. Strayer University, the sixth largest recipient of federal G.I. Bill funds, dedicated 34 percent of its revenues to profit, and spent 18 percent for marketing and just 48 percent for all other costs, including education.

In 2009, the 15 publicly traded for-profit education companies that dominate the for-profit market spent \$3.2 billion on marketing.¹¹ For-profit schools have now aimed this marketing barrage at veterans and military families, and the newly-released Department of Veterans Affairs' numbers show it is paying off.

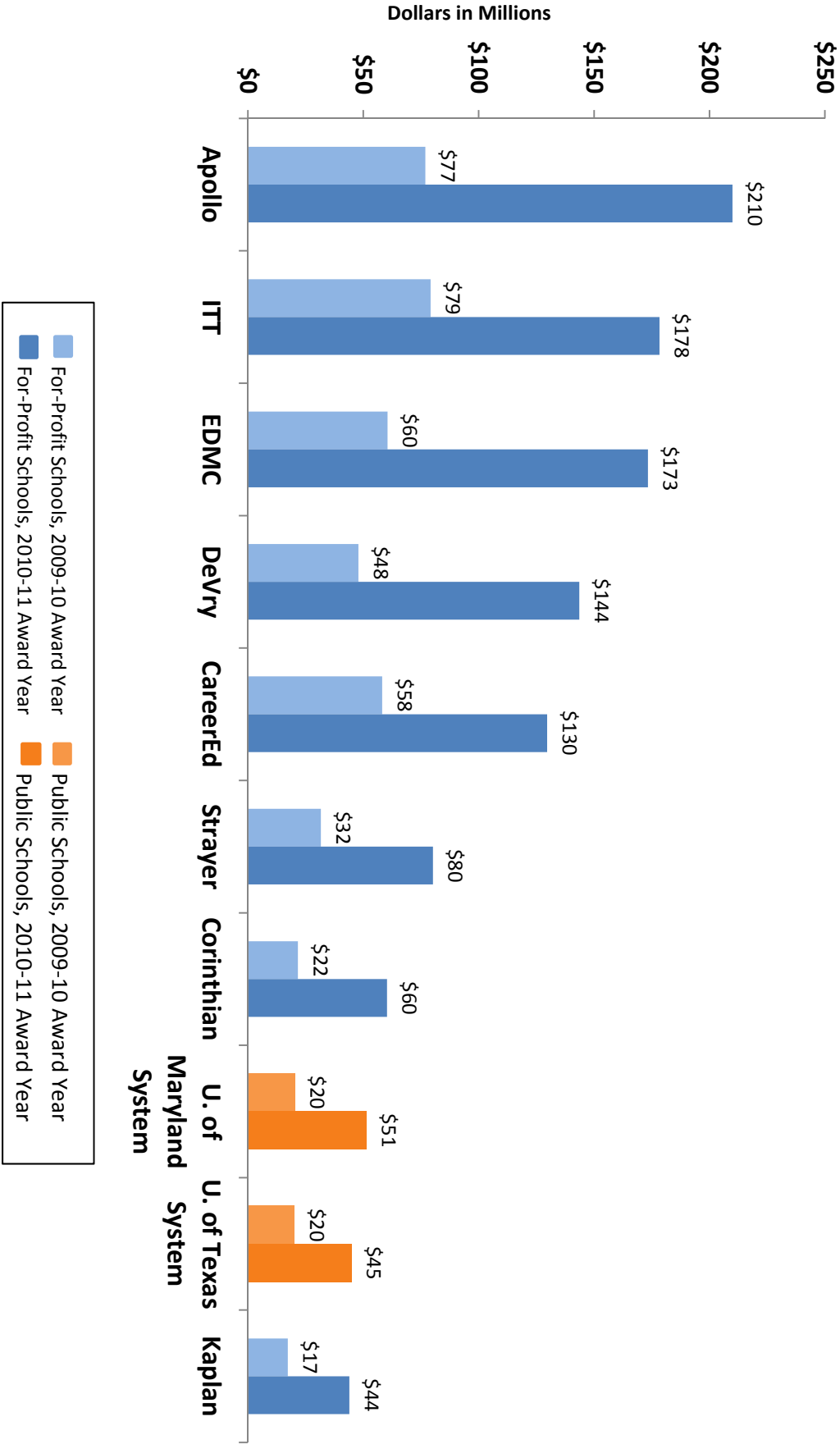
⁹ [Des Moines Area Community College website](#); [ITT Technical Institute website](#).

¹⁰ [Testimony of Dr. Sandy Baum, HELP Committee Hearing, "Drowning in Debt: Financial Outcomes of Students at For-Profit Colleges," 6/7/2011](#)

¹¹ HELP Committee analysis of documents provided by schools.

Where are Federal G.I. Bill Dollars Going?

Top Ten Recipients of Post-9/11 G.I. Bill Benefits



Source: HELP Committee analysis of Department of Veterans Affairs data; does not include Yellow Ribbon program funds.

Chart 1

What Are Taxpayers and Veterans Getting For Their Money?

Student Outcomes for the 10 Schools Receiving the Most G.I. Bill Benefits

Institution	Bachelor's Students Withdrawn	Associate Students Withdrawn
Apollo (University of Phoenix)	50.3%	66.4%
ITT	44.5%	53.1%
Ed. Mgmt. Corp. (Art Institute, Argosy)	61.9%	63.7%
DeVry	56.4%	54.3%
Career Ed. Corp. (Sanford Brown, CTU)	51.4%	61.7%
Strayer	34.1%	48.8%
Corinthian (Everest, Heald, WyoTech)	59.2%	66.5%
U. of Maryland System	13.1%*	N/A
U. of Texas System	26.4%*	N/A
Wash. Post Co. (Kaplan)	68.2%	69.1%

Source: HELP Committee analysis of Department of Veterans Affairs data, Department of Education data and documents provided by schools.

* For-Profit student outcomes based on all students who enrolled between July 1, 2008 and June, 30 2009 as of mid-2010. Public University Systems' outcomes based on Department of Education retention data and includes only first-time full-time students.

Chart 2

Federal Taxpayers Spend More Than Twice as Much Per Veteran at For-Profit Colleges

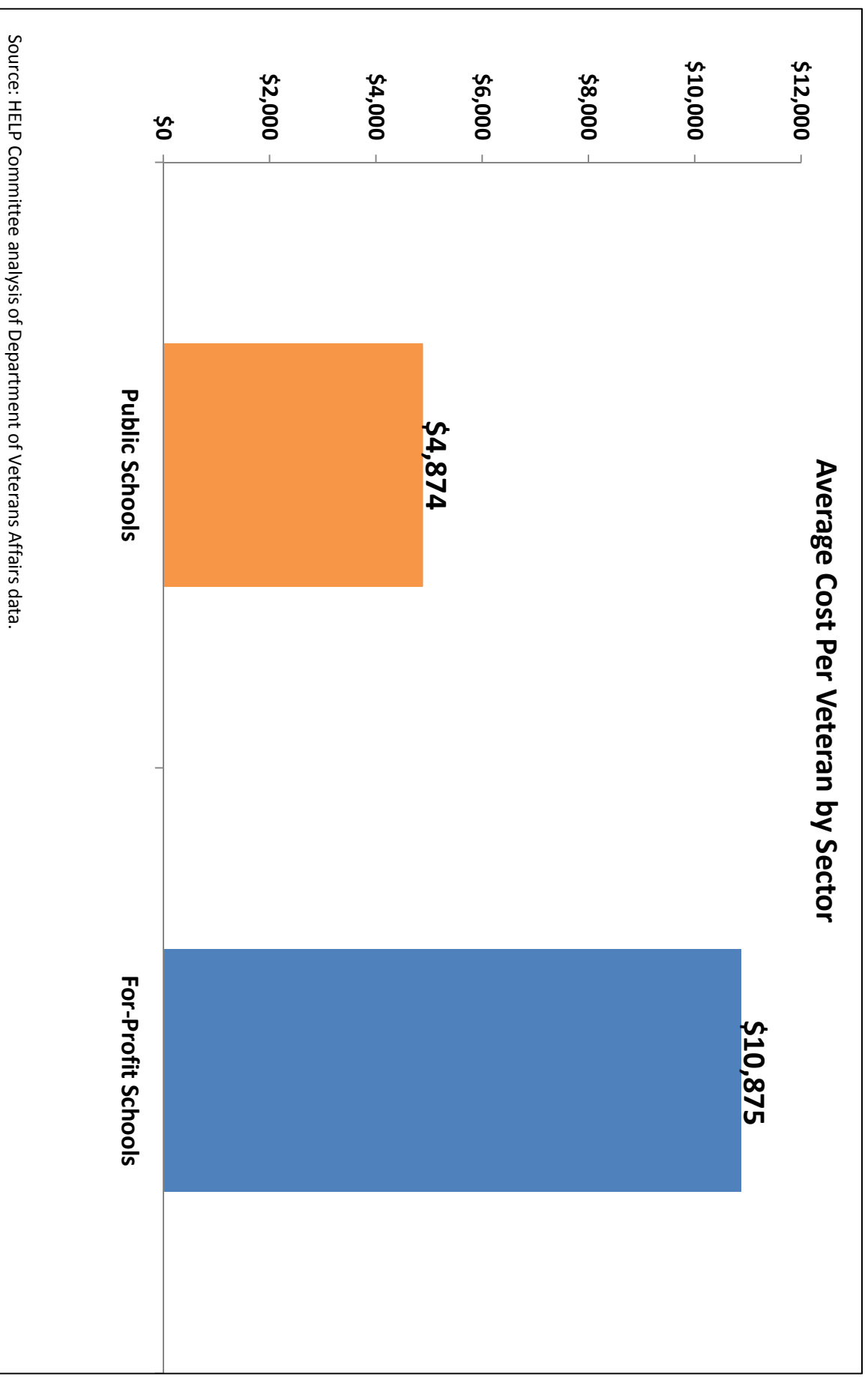
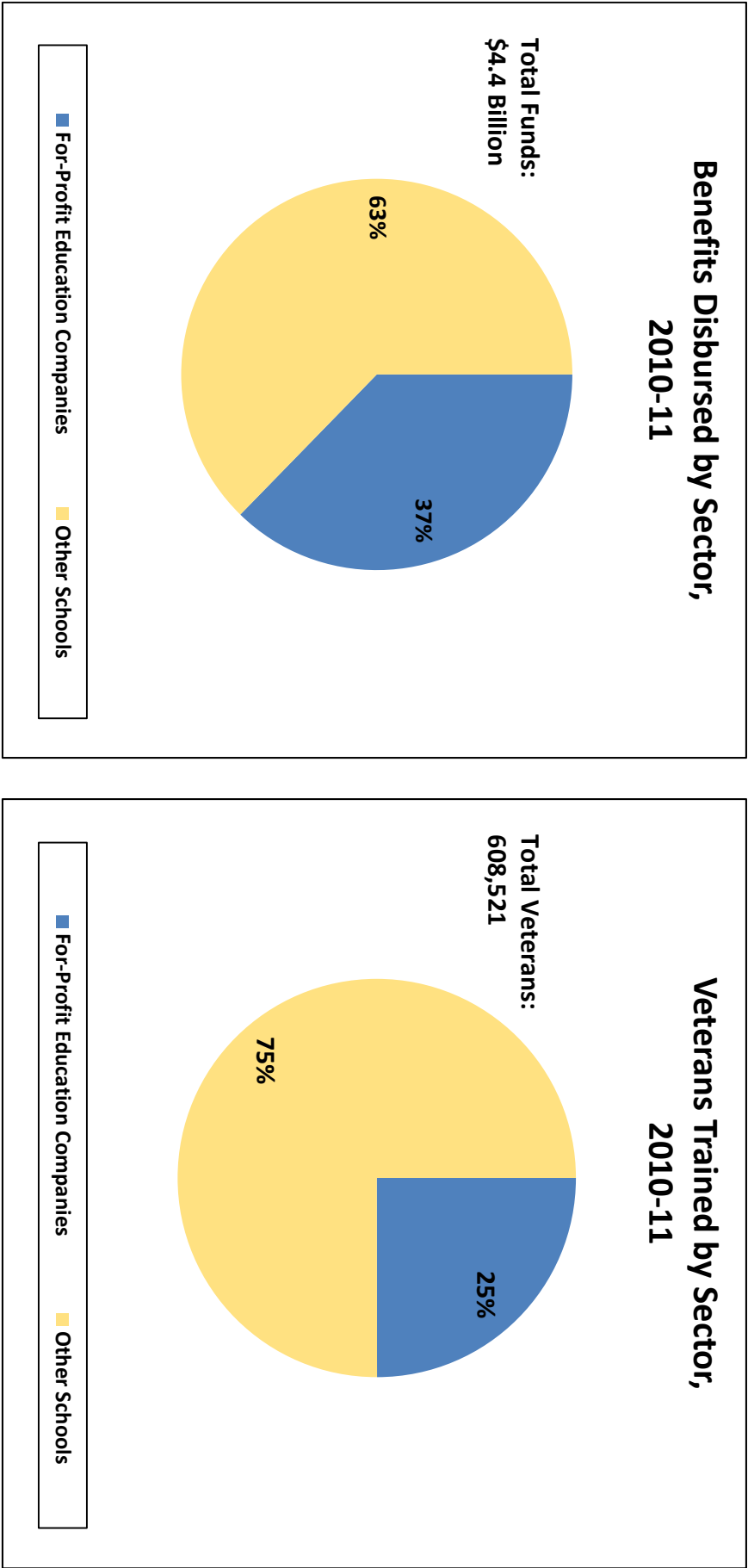


Chart 3

For-Profit Schools Collected More than One Third of Post-9/11 G.I. Bill Benefits but Trained Just One Quarter of Veterans.

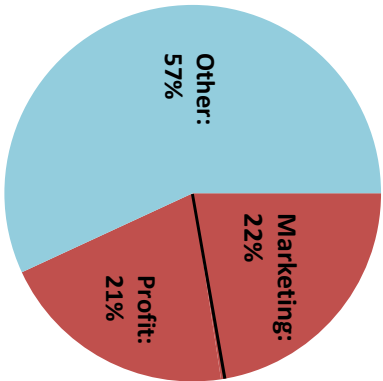


Source: HELP Committee analysis of Department of Veterans Affairs data.

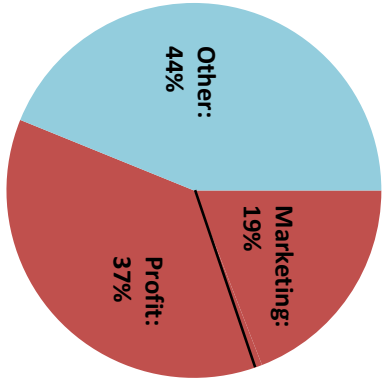
Chart 4

For-Profit Colleges Devote Federal Funds to Profit and Marketing -- Not Education

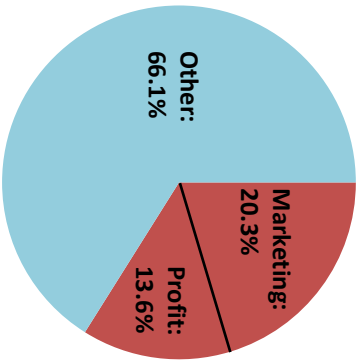
Apollo Group, Inc. - Spending, 2010



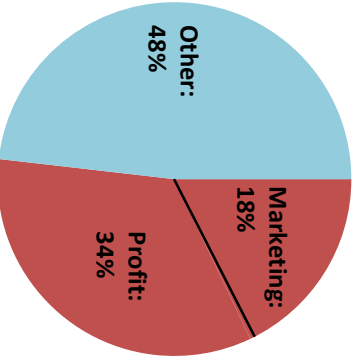
ITT Educational Services, Inc. - Spending, 2009



Corinthian Colleges, Inc. - Spending, 2010



Strayer, Inc. - Spending, 2010



Other: Executive Compensation, Lobbying, Student Services, Administration, Facilities, Instruction, Faculty Salary, and Bad Debt Expense.

Source: HELP Committee analysis of S.E.C. filings and documents provided by schools.

Chart 5